

Message Text

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ACTION AGR-08

INFO OCT-01 EA-06 ISO-00 CIAE-00 COME-00 EB-07 INR-07

LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-01 FRB-03

OMB-01 TAR-01 L-02 H-02 /049 W

----- 074310

P R 280710Z APR 75

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 0000

INFO AMEMBASSY BANGKOK

AMEMBASSY SEOUL

AMEMBASSY TAIPEI

AMEMBASSY TOKYO

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E.O. 11652: NA

TAGS: ETRD, RP

SUBJECT: COTTON CONTRACT PROBLEM

PASS DUDLEY WILLIAMS USDA; TOKYO FOR LESTER EDMOND

REF: (A) STATE 51486; (B) STATE 84519

1. FOLLOWING IS TEXT OF ASSURANCES ON COTTON CONTRACT PROBLEM
CONTAINED IN LETTER SIGNED APRIL 26, 1975 BY S.K. LEE,

ASSISTANT MINISTER OF ECONOMIC COOPERATION AND ADDRESSED TO
MR. KENNARD STEPHENS, USDA;

2. BEGIN TEXT QUOTE

1. ALL CCC CREDIT FOR COTTON OUTSTANDING AS OF THE DATE OF
THIS LETTER OR GRANTED PRIOR TO JUNE 30, 1975, WILL BE
UTILIZED EXCLUSIVELY TO FINANCE CURRENT U.S. COTTON CONTRACTS
WITH A DATE OF SALE PRIOR TO AUGUST 1, 1974. THIS STIPULATION
INCLUDES BOTH CONTRACTS WHICH ARE PAST DUE AS WELL AS CONTRACTS
WITH DELIVERY DATES PRIOR TO THE END OF THE CURRENT MARKETING
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YEAR, JULY 31, 1975.

2) THE GOVERNMENT OF THE REPUBLIC OF KOREA WILL TAKE ALL NECESSARY MEASURES TO ENSURE THAT REPAYMENT DRAFTS, DRAWN BY CCC ON KOREAN BANKS UNDER THE APPLICABLE LETTERS OF CREDIT, WILL BE HONORED.

3) THE OPENING OF LETTERS OF CREDIT WILL BE CARRIED OUT IN ACCORDANCE WITH THE FOLLOWING PROCEDURES:

- A) ALL SALES WILL BE LISTED BY MILL.
- B) FOR EACH MILL THE CONTRACTS WILL BE LISTED BY TYPE OF COTTON: TYPE A: 1-1/32 INCH AND SHORTER; TYPE B: 1-1/16 OR OVER; TYPE C: SAN JOAQUIN; TYPE D: AMERICAN PIMA.
- C) UNDER EACH TYPE, SALES (CONTRACTS) WILL BE SEPARATED INTO TWO PERIODS BASED ON THE DELIVERY DATE IN THE CONTRACT: PERIOD I-CONTRACTS WITH DELIVERY DATES PRIOR TO FEBRUARY 28, 1975; PERIOD II-CONTRACTS WITH DELIVERY DATES FROM MARCH 1, 1975 THROUGH JULY 31, 1975.
- D) LETTERS OF CREDIT WILL BE OPENED ACCORDING TO THE FOLLOWIN SCHEDULE:

SHIPMENTS DUE	L/C'S WILL BE OPENED BY
PRIOR TO:	
2/28/75 (PERIOD I)	6:30/75
6/31/75 (PERIOD II)	8/31/75

E) WITHTIN EACH TYPE COTTON AND PERIOD THE CONTRACTS WILL BE LISTED BY DATE OF SALE, WITH THE OLDEST DATES LISTED FIRST.

F) WITHIN THE PERIODDS SPECIFIED IN PARAGRAPH 3 (C) AND (D) ABOVE, A MILL MAY OPEN LETTERS OF CREDIT FOR ANY TYPE OF COTTON WHICH THE MILL HAS ON CONTRACT. WITHIN EACH TYPE OF COTTON AND PERIOD INDIVIDUAL MILLS WILL OPEN LETTERS OF CREDIT ON THE OLDEST CONTRACTS FIRST.

4) A LIST OF ALL OUTSTANDING SALES (CONTRACTS) DESCRIBED IN PARAGRAPH 1, ORGANIZED IN ACCORDANCE WITH THE CATEGORIES SPECIFIED IN PARAGRAPHS 3 (A) THROUGH (F), IS ATTACHED TO THIS LETTER AS ANNEX A, EACH PAGE OF WHICH HAS BEEN INITIALED BY MR. MICHAEL H.B. ADLER, DIRECTOR ECONOMIC AFFAIRS, U.S. EMBASSY SEOUL, KOREA, AND BY MYSELF.

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5) THE GOVERNMENT OF THE REPUBLIC OF KOREA WILL TAKE ALL NECESSARY MEASURES TO ENSURE THAT LETTERS OF CREDIT ARE OPENED FOR THE CONTRACTS LISTED IN ANNEX A OF THIS LETTER, INCLUDING THOSE SALES COVERED BY CCC CREDIT.

6) THE GOVERNMENT OF THE REBUBLI OF KOREA AGREES THAT THE SPINNERS AND WEAVERS ASSOCIATION OF KOREA (SWAK) WILL PROVIDE THE UNITED STATES DEPARTMENT OF AGRICULTURE, OFFICE OF THE

ASSISTANT ADMINISTRATOR, COMMERCIAL EXPORT PROGRAM, AFTER ADDITIONAL CREDIT IS MADE AVAILABLE - WITH A LIST OF SALES (CONTRACTS) WHICH WILL BE USED BY THE UNITED STATES DEPARTMENT OF AGRICULTURE TO ALLOCATE ALL OUTSTANDING CCC CREDIT TO U.S. SHIPPERS, CONSISTENT WITH THE PROCEDURES SET FORTH IN PARAGRAPH 3 (A) THROUGH (F)M EACH SALE WILL BE LISTED UNDER THE NAME OF THE PURCHASING MILL. (THIS LIST WILL CONTAIN THE NAME OF THE U.S. SHIPPER, THE SHIPPER'S SALE NUMBER, DATE OF CONTRACT, QUANTITY (BALES), VALUE OF SALE, AND THE MONTH IN WHICH THE KOREAN MILL DESIRES SHIPMENT FROM THE U.S.

7) LETTERS OF CREDIT WILL SPECIFY A DATE OF SHIPMENT WHICH IS WITHIN THREE MONTHS FROM THE DATE ON WHICH THE LETTER OF CREDIT WAS OPENED. FURTHER CHANGES IN DELIVERY DATES OR CHANGES IN QUALITY (WITH APPROPRIATE DIFFERENTIALS) ARE ACCEPTABLE IF MUTUALLY AGREED TO BY SHIPPER AND BUYER. HOWEVER, NO SHIPPER OR BUYER SHALL BE REQUIRED TO MAKE ANY SUCH AGREEMENT AND NO SUCH AGREEMENT SHALL OPERATE TO VARY THE BUYER'S OBLIGATION TO OPEN LETTERS OF CREDIT IN ACCORDANCE WITH PARAGRAPH 3, AND NOTHING WITHIN THIS PARAGRAPH SHALL BE TAKEN AS A WAIVER OF CUSTOMARY PRACTICES REGARDING CARRYING CHARGES.

8) NOTWITHSTANDING PARAGRAPH 1:

A) FOLLOWING THE OPENING BY ALL MILLS OF LETTERS OF CREDIT FOR ALL CONTRACTS LISTED UNDER PERIOD I ON ANNEX A, CCC CREDITS MAY BE USED TO FINANCE THOSE CURRENT U.S. COTTON CONTRACTS LISTED ON ANNEX B, I.E. THOSE CONTRACTS WHICH HAVE A DATE OF SALE AFTER AUGUST 1, 1974, AND PRIOR TO APRIL 19, 1975, WITH DELIVERY DATES THROUGH JULY 31, 1975. SUCH CREDITS WILL BE ALLOCATED ONLY TO THOSE MILLS WHO LIMITED OFFICIAL USE

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HAVE OPENED LETTERS OF CREDIT FOR ALL OF THEIR CONTRACTS, IF ANY, LISTED ON ANNEX A. OUT OF CCC CREDITS GRANTED IN FISCAL YEAR 1975 NOT MORE THAN \$7,000,000 WILL BE RESERVED FOR THIS PURPOSE FOR THE CONTRACTS LISTED ON ANNEX B.

B) FOLLOWING THE OPENING BY ALL MILLS OF LETTERS OF CREDIT FOR ALL CONTRACTS LISTED ON ANNEX A, ADDITIONAL CCC CREDITS MAY BE USED TO FINANCE THOSE CURRENT U.S. COTTON CONTRACTS LISTED ON ANNEX B. OUT OF CCC CREDITS GRANTED IN FISCAL YEAR 1975 NOT MORE THAN A TOTAL OF \$10,000,000, INCLUDING THE \$7,000,000 SPECIFIED IN SUBPARAGRAPH A, WILL BE RESERVED FOR THE CONTRACTS LISTED ON ANNEX B.

C) FOR THOSE MILLS WHICH WISH TO USE CCC CREDIT FOR
CONTRACTS MEETING THE REQUIREMENTS OF THIS PARAGRAPH,
THE GOVERNMENT OF THE REPUBLIC OF KOREA AGREES THAT
SWAK WILL PROVIDE THE UNITED STATES DEPARTMENT OF

AGRICULTURE, OFFICE OF THE ASSISTANT ADMINISTRATOR,
COMMERCIAL EXPORT PROGRAM, WITH THE FOLLOWING INFORMATION:

- 1) ALL SALES MEETING THE REQUIREMENTS OF THIS
PARAGRAPH WILL BE LISTED BY MILL.
 - 2) FOR EACH MILL THE CONTRACTS WILL BE LISTED BY
TYPE OF COTTON: TYPE A: 1-1/32 INCH AND SHORTER;
TYPE B: 1-1/16 OR OVER; TYPE C: SAN JOAQUIN;
TYPE D: AMERICAN PIMA.
 - 3) WITHIN EACH TYPE COTTON THE CONTRACTS WILL BE
LISTED BY DATE OF SALE, WITH THE OLDEST DATES
LISTED FIRST.
- D) WITHIN EACH TYPE OF COTTON, INDIVIDUAL MILLS WILL OPEN
LETTERS OF CREDIT ON THE OLDEST CONTRACTS FIRST.
- 9) A LIST OF OUTSTANDING SALES (CONTRACTS) MEETING THE
REQUIREMENTS OF PARAGRAPH 8, ORGANIZED IN ACCORDANCE WITH THE
CATEGORIES SPECIFIED IN PARAGRAPHS 8, (C) 1-3), WILL BE
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ATTACHED TO THIS LETTER AS ANNEX B.

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Message Attributes

Automatic Decaptioning: X
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Draft Date: 28 APR 1975
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Decaption Note:
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Disposition Approved on Date:
Disposition Authority: KelleyW0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
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Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
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TAGS: ETRD, RP, US, KS
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006